



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 3, 2003

### **H.R. 2622**

### **Fair and Accurate Credit Transactions Act of 2003**

*As ordered reported by the House Committee on Financial Services on July 24, 2003*

#### **SUMMARY**

CBO estimates that implementing this legislation would cost about \$7 million over the next five years, assuming appropriation of the necessary amounts. The bill could affect direct spending and revenues, but CBO estimates that any such impact would not be significant.

H.R. 2622 would provide new consumer protections against identity theft (that is, fraud committed using another person's identifying information) and would permanently extend the provisions in the Fair Credit Reporting Act (FCRA) that prevent states from imposing new restrictions on how financial institutions share consumer information. In 1996, FCRA was amended to create a uniform national standard for consumer protections governing credit transactions, and it is scheduled to expire on January 1, 2004. H.R. 2622 also would give consumers access to certain financial records, ensure the accuracy of credit reports, and provide protections of consumers' medical information.

H.R. 2622 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates the costs would not exceed the threshold established in UMRA (\$59 million in 2003, adjusted annually for inflation).

CBO's assessment of the bill's impact on the private sector will be provided later in a separate report.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

CBO estimates that implementing this legislation would cost about \$7 million over the next five years, assuming appropriation of the necessary amounts. The bill could affect direct spending and revenues, but CBO estimates that any such impact would not be significant.

This legislation would require the Federal Trade Commission (FTC) to prepare a model summary of rights for consumers who believe that they may be the victims of fraud or identity theft. The FTC also would be responsible for developing procedures and forms to be used by consumers to report identity theft to creditors and credit reporting agencies and for conducting various studies on such topics as the accuracy of information contained in credit reports and the impact of credit scores and credit-based insurance scores on the availability and affordability of financial products.

H.R. 2622 would require the federal banking agencies (which includes the Office of the Comptroller of the Currency (OGC), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS)) and the National Credit Union Administration (NCUA) to issue various guidelines and regulations concerning identity theft, credit reporting, and use of consumers' medical information by financial institutions. Finally, this legislation would require the Federal Reserve to create a disclosure form for financial companies to use when notifying a consumer that negative information has been furnished to a credit reporting agency and to study the ability of consumers to avoid unsolicited offers of credit and insurance.

### **Spending Subject to Appropriation**

Based on information from the FTC, CBO estimates that the studies and additional enforcement effort required under H.R. 2622 would cost that agency \$2 million in 2004 and \$6 million over the 2004-2008 period, assuming appropriation of the necessary amounts. In addition, this legislation would require the General Accounting Office (GAO) to study the role of discrimination in obtaining credit and to study methods for improving financial literacy among consumers. CBO estimates that the two GAO studies required under the bill would cost about \$1 million in 2004.

### **Direct Spending and Revenues**

The NCUA, the OTS, and the OCC charge fees to cover all their administrative costs; therefore, any additional spending by those agencies to implement the bill would have no net budgetary effect. That is not the case with FDIC, however, which uses deposit insurance premiums paid by banks to cover the expenses it incurs to supervise state-chartered institutions. (Under current law, CBO estimates that the vast majority of thrift institutions insured by the FDIC would not pay any premiums for most of the 2004-2013 period.)

The bill would cause a small increase in FDIC spending but would not affect its premium income. Based on information from the FDIC, implementing the bill would have a minor impact on the agency's workload. Budgetary effects on the Federal Reserve are recorded as changes in revenues (governmental receipts). CBO estimates that enacting H.R. 2622 would reduce such revenues by less than \$500,000 a year.

## **IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

Title I of H.R. 2622 would permanently prohibit state and local governments from enacting laws that are different from FCRA in certain specified cases. Such a preemption of state law is an intergovernmental mandate as defined in UMRA, but CBO estimates that it would not impose significant costs on state and local governments. Therefore, the cost of the preemption would not exceed the threshold established in UMRA (\$59 million in 2003 adjusted annually for inflation).

## **IMPACT ON THE PRIVATE SECTOR**

CBO's assessment of the bill's impact on the private sector will be provided later in a separate report.

## **ESTIMATE PREPARED BY:**

Federal Costs: Susanne Mehlman

Impact on State, Local, and Tribal Governments: Sarah Puro

Impact on the Private Sector: Paige Piper/Bach

## **ESTIMATE APPROVED BY:**

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis